

## **RESPONSE TO FEEDBACK RECEIVED – CONSULTATION ON PROPOSED LEGISLATIVE AMENDMENTS TO THE UNSECURED CREDIT RULES**

### **1 Introduction**

1.1 In December 2007, Monetary Authority of Singapore (MAS) and the Ministry of Law (MinLaw) conducted a Joint Public Consultation on the draft rules to implement the revised policy on unsecured credit. MAS and MinLaw would like to thank all respondents for their comments.

1.2 MAS and MinLaw have carefully considered the feedback received, and have set out below our responses to the comments that are of wider interest. Where we agree with the comments raised, we will incorporate them into the final legislation.

### **I. FEEDBACK ON MAS' DRAFT RULES**

#### **2 Definitions**

##### Feedback

2.1 Some respondents sought clarity on why credit cards were carved out from the definition of an unsecured credit facility, and whether increases in credit card limits would fall under the definition of an unsecured credit facility.

##### Response

2.2 As unsecured credit granted through credit cards is treated differently from other forms of unsecured credit in that they have different minimum annual income requirements, the intention in the legislation is to keep these two forms of credit distinct and separate.

## Feedback

2.3 A respondent suggested that a definition of supplementary cards could be included in the legislation.

## Response

2.4 As the definition of a supplementary card is commonly understood, it is not necessary to include such a definition in the legislation. We can review this should the line between supplementary cards and main cards becomes less clear and it causes confusion in the market.

## Feedback

2.5 ABS sought clarity that the exclusions from the definition of “unsecured credit facilities” in the proposed MAS Notice 635 would also apply in respect of the maximum unsecured credit restriction of \$5,000 in the Banking Act and MAS Notice 639.

## Response

2.6 As stated in paragraph 7 of the proposed MAS Notice 635, the exclusion from the definition of “unsecured credit facilities” in MAS Notice 635 only applies to that Notice.

## **3 General Exclusions**

### Feedback

3.1 ABS inquired as to how the exclusion for essential medical expenses for financial institutions would be implemented, and if the regimes for financial institutions and moneylenders were similar. The respondent requested that a single definition be adopted across both sets of legislation.

### Response

3.2 Any loan for defraying the costs of “medical treatment”, as defined in Regulation 2 of the Central Provident Fund (Medishield Scheme) Regulations 2005, would be excluded from the unsecured credit rules for

financial institutions. For moneylenders, medical expenses that are certified as being essential by a medical practitioner would be excluded.

3.3 MAS is of the view that financial institutions have the necessary capabilities to evaluate whether the types of medical treatment for which a borrower is requesting a loan complies with the Medishield definition, which is an objective standard of the medical treatments which Government deems to be essential.

#### Feedback

3.4 A respondent inquired if an insurance agent would constitute “a person who receives remuneration from the insurer other than for professional services rendered to the insurer” and therefore result in insurance companies being exempted from the overall credit limit when granting loans to its insurance agents.

#### Response

3.5 Loans to insurance agents would not fall within the excluded categories.

#### Feedback

3.6 ABS commented that the requirement for the lender to obtain documentary proof in respect of the exclusion for renovation loans applies to financial institutions, but not to moneylenders.

#### Response

3.7 MAS will amend the exclusion to require financial institutions to take all reasonable steps to ensure that loans for renovation are indeed applied towards such a purpose, which can include obtaining documentary proof that such renovations have been made or are to be made. This is broadly consistent with the requirement for moneylenders.

## **4 Share Financing Exclusion**

### Feedback

4.1 Some respondents commented that in respect of the exclusion for certain share financing transactions from the unsecured credit rules during the short period after the loan is committed but before the shares are issued, it would be difficult for financial institutions to adhere to the condition that they take reasonable steps to ensure that the total amount of share financing obtained by the customer does not exceed 80% of the amount paid by the customer for the subscription of the shares. This is because they may not be able to authenticate details of the written declaration from customers. One of the respondents also sought clarification on the other steps that would be deemed to be “reasonable”.

### Response

4.2 As communicated to industry players on 13 December 2007, MAS does not intend to establish prescriptive rules as specific circumstances may vary and judgement needs to be exercised by institutions.

4.3 In most cases, self-declaration by the borrower would be sufficient. However, there are certain cases where self-declaration is clearly insufficient, for instance, where the borrowing records of the customer from the same financial institution or any of its related corporations contradicts the declaration that the customer has made.

### Feedback

4.4 ABS commented that there may be instances where a customer has excess funds over the initial margin in his share margin trading account and do not form part of the margin trading facility extended to the customer. The respondent further inquired if such funds could be applied towards the 20% co-payment requirement.

### Response

4.5 Whether the additional funds may be used depends on the contract between the financial institution and the customer.

### Feedback

4.6 ABS sought to clarify if the exclusion applies only to IPO financing and ESO (employee stock option) schemes, and whether the exclusion similarly applied to shares purchased in the secondary market.

### Response

4.7 The exclusion applies in respect of any share financing loan, subject to the relevant conditions being met.

### Feedback

4.8 ABS commented that ESO (employee stock option) financing does not usually result in speculation by the employees because the vesting period and the exercise price are usually prescribed by the company. Such options are usually only exercised where the market value of the company's share has appreciated way more than the exercise price. Accordingly, the respondent suggested that the loan quantum be based on 100% of the cost of exercising the option or 80% of the market value of the shares, whichever is lower.

### Response

4.9 While we acknowledge that ESO generally has a lower risk of speculation when compared to IPO, other aspects of both types of financing remain similar (e.g. the period for which the loan remains unsecured). In particular, our concern remains that individuals exercising such options do not become overly leveraged. MAS will therefore adopt the same approach for ESO financing as it does for IPO financing.

### Feedback

4.10 ABS sought to clarify if the conditions for the share financing exemption would apply to individuals with greater financial means, who are already exempted from the maximum credit limit and overall credit limit.

## Response

4.11 The conditions for the share financing exclusion only apply to financial institutions relying on such exclusion in order not to be subject to the requirements in the Regulations and the Notices on unsecured credit. Financial institutions that are able to grant such credit facilities without utilising this exclusion (e.g. financial institutions that are not subject to the maximum credit limit and overall credit limit when granting such credit facilities to individuals with greater financial means) need not abide by the conditions of the share financing exemption.

## Feedback

4.12 A respondent inquired on the position to be taken for CMS licensees with respect to right issues, private placement and ESOS in respect of the new rules.

## Response

4.13 The exemption granted under the new Regulation 24B also applies to right issues and primary private placement (not secondary).

## **5 Minimum Annual Income Requirement**

### Feedback

5.1 Some respondents inquired if the minimum income requirement for issuing credit cards and charge cards had been lowered to \$20,000 as well.

### Response

5.2 There is no change in the minimum annual income requirement for credit cards. A credit card with an unsecured credit limit may only be issued to individuals earning at least \$30,000 (for those aged 55 or below) or \$15,000 (for those above 55 years of age).

## **6 Lending Limits**

### Feedback

6.1 ABS inquired as to how the requirements on maximum credit limit in the Banking (Credit Card and Charge Card) Regulations (“Regulations”) interacted with the requirements on overall credit limit used in the same Regulations and in MAS Notice 635. The respondent also suggested the usage of examples to illustrate how the rule is to be operationalised.

### Response

6.2 The two definitions are intended to operationalise the two rules on unsecured credit and on credit cards, both of which are to apply concurrently.

6.3 The first rule applies to the granting of unsecured credit (whether through unsecured credit cards or otherwise), and it limits the total outstanding unsecured amount a borrower can have with the same financial institution and its affiliated corporations to four times’ the borrower’s monthly income (should he/she earn at least \$30,000 a year) or twice the borrower’s monthly income (should he/she earn less than \$30,000 a year).

6.4 The second rule applies to the granting of credit cards (both secured and unsecured), and it limits the total amount a financial institution and its affiliated corporations can grant to an individual through credit cards, both secured and unsecured, to the higher of the amount pledged as security and four times the borrower’s monthly income (should he/she earn at least \$30,000 a year) or twice the borrower’s monthly income (should he/she earn less than \$30,000 a year).

6.5 As an example, consider a bank with no affiliated corporations granting loans and credit cards (both secured and unsecured) to an individual with an annual income of \$30,000 (and a monthly income of \$2,500), and who is willing to place \$20,000 with the bank for purposes of securing the limit on his secured credit card. Then the maximum amount the bank may grant this individual through credit cards (both secured and unsecured) is \$20,000 (the higher of his unsecured credit limit of \$10,000 and his secured credit card limit of \$20,000). At the

same time, the maximum amount the bank can lend unsecured to this individual, whether through credit cards or other unsecured credit facilities, is \$10,000. The bank would meet the abovementioned requirements if it grants credit facilities to this individual under one of the following scenarios:

Scenario	Credit limit on Secured Credit Card	Credit limit on Unsecured Credit Card	Credit limit on Other Unsecured Credit Facilities
A	\$ 20,000	\$0	\$10,000
B	\$10,000	\$10,000	\$0
C	\$15,000	\$5,000	\$5,000

### Feedback

6.6 A respondent inquired as to how the unsecured credit limits in the Regulations interacted with that in the MAS Notices on unsecured credit.

### Response

6.7 The maximum amount of unsecured credit facilities granted other than through credit cards is capped at two times monthly income for individuals earning at least \$20,000 but less than \$30,000, and four times monthly income for individuals earning at least \$30,000. These credit limits are prescribed in the MAS Notices on Unsecured Credit.

6.8 For granters of unsecured credit facilities that also issue credit cards, the Regulations prescribe that the aggregate amount granted through unsecured credit cards, together with all other unsecured amounts granted to that same individual, cannot exceed four times the monthly income of individuals earning at least \$30,000, or two times the monthly income of individuals earning less than \$30,000.

### Feedback

6.9 ABS inquired as to the overall credit limit to be set for an existing cardholder whose annual income has declined to (i) less than \$30,000 but at least \$20,000; and (ii) less than \$20,000.

## Response

6.10 The minimum annual income requirement is to be imposed only at point of inception of the credit facility. Individuals whose incomes subsequently decline may continue to keep their existing cards. However, the overall credit limit under both the abovementioned scenarios will be reset at twice the cardholder's revised monthly income. We will make the necessary amendments to the Regulations to effect this policy.

6.11 This means that the overall credit limit may be exceeded at the point when an individual's income falls from \$30,000 to below that threshold. Under such circumstances, the card issuer should not grant the cardholder any additional credit (i.e. should not allow further use of the card) until the total outstanding unsecured amount falls to below the new, lower overall credit limit. Banks are reminded to check the incomes of their cardholders periodically.

## Feedback

6.12 ABS sought clarity on the maximum amount that could be lent to individuals above 55 years of age.

## Response

6.13 Under the current Regulations, an individual above 55 years of age would need to meet the minimum annual income of \$15,000 to qualify for an unsecured credit card facility. The amount of credit that is granted to him/her also cannot exceed twice his/her monthly income. Such individuals are not allowed access to other types of unsecured credit facilities as they do not meet the minimum income threshold of \$30,000.

6.14 Under the new Regulations, an individual above 55 years of age meeting the minimum annual income of \$15,000 will continue to be allowed access to unsecured credit card facilities. However, in line with our policy to adopt a more conservative approach for individuals earning below \$30,000 a year, such individuals' overall credit limit will continue to be capped at twice their monthly income, inclusive of any other unsecured credit facilities that they have with the same institution (should they earn more than \$20,000 a year). We will amend the Regulations to make this clear.

### Feedback

6.15 ABS sought to clarify if exposures under corporate cards issued to an individual cardholder need be aggregated towards the overall credit limit or maximum credit limit.

### Response

6.16 Amounts charged to corporate cards or business cards, as defined in the Banking (Credit Card and Charge Card) Regulations, will not be aggregated towards the overall credit limit or maximum credit limit of that cardholder.

### Feedback

6.17 ABS inquired if breaches due to foreign exchange (FX) rate fluctuation moving in the customer's disfavour could be exempted. The respondent noted that should the FX rate fluctuate during authorization and settlement of credit card transactions, this could result in a higher amount being charged to the account, thereby causing the account to exceed the maximum credit limit or overall credit limit.

### Response

6.18 In the draft Regulations, an offence is committed only if a card issuer permits an amount to be charged to the credit card issued by him which would result in the maximum credit limit or overall credit limit being exceeded. This means that there will be no offence committed as long as the amount being charged, using the prevailing FX rate at point of authorisation, does not result in the maximum credit limit or overall credit limit being breached.

### Feedback

6.19 ABS inquired if verbal consent would suffice when adjusting the credit limits to be granted on credit card and/or unsecured credit facilities for individuals earning at least \$30,000. The respondent also inquired if financial institutions had the discretion to decide on the validity of fresh income documents as long as they demonstrated prudence and reasonable steps when evaluating/granting credit limit increases.

## Response

6.20 As conveyed in MAS' response to the previous Public Consultation on 1 Feb 2007, financial institutions should obtain fresh income documents before adjusting the credit limits of the customers' credit facilities. It would also be good practice for them to concurrently obtain a written consent from the customer before adjusting the credit limits.

6.21 This similarly applies to lenders intending to increase the maximum credit available to existing customers who now qualify for the exemption from the maximum credit limit and the overall credit limit.

## Feedback

6.22 A respondent commented that there was no need for a more stringent credit limit for lenders granting loans to individuals earning at least \$20,000 but less than \$30,000, given that the maximum amount a lender can lend to individuals in this income group would already be lower in view of their lower income.

## Response

6.23 As conveyed in our Public Consultation response of 1 Feb 2007, the lowering of the minimum annual income threshold for unsecured credit facilities from \$30,000 to \$20,000 already represents a significant change. MAS therefore favours taking a more cautious approach by setting the credit limit for individuals within this income bracket at twice their monthly income.

## **7 Exemption for Granting of Unsecured Credit to Individuals with Greater Financial Means**

### Feedback

7.1 Some respondents inquired as to how the \$120,000 minimum qualifying income for the exemption from the overall credit limit is to be calculated. Another respondent suggested that MAS allow the latest income documents to be used instead of the income documents for the preceding 12 months.

## Response

7.2 MAS will not prescribe any particular method of computation. Financial institutions are to obtain sufficient records to establish reasonably that the \$120,000 minimum qualifying income is met, for example annual income statements, income tax declarations, or payslips. Income documents for only the most recent month does not constitute sufficient evidence of a reliable and stable income stream.

## Feedback

7.3 Some respondents inquired as to how MAS would determine if the exemption from the maximum credit limit and overall credit limit for individuals with greater means would continue to apply, and whether this would be determined through a special review.

## Response

7.4 This exemption may be revoked should MAS assess that a particular financial institution does not have credit risk management practices that are sufficiently robust, or engages in unfair consumer practices. Such an assessment may be conducted in the course of MAS' supervision of the financial institution involved.

7.5 MAS will conduct dialogues with financial institutions it perceives to be lacking in good consumer and credit risk management practices to convey its expectations before moving to revoke the exemption.

## Feedback

7.6 A respondent asked if customer consent for increasing the overall credit limit available to individuals qualifying for the exemption from the maximum credit limit and the overall credit limit would be required for existing customers or new customers, and whether a negative consent approach could be adopted.

## Response

7.7 Card issuers are expected to adopt prudent and responsible lending practices at all times, particularly when utilising the exemption from the maximum credit limit and the overall credit limit, As such, when utilising

such exemptions, MAS expects fresh income documents and customer consent to be obtained for both existing customers and new customers before their credit limits are adjusted.

## **8 Joint Borrowing**

### Feedback

8.1 A respondent requested clarity as to how the rules on joint borrowing would operate.

8.2 Other respondents commented that overall credit limits for joint borrowers should be based on the aggregate of the joint borrowers' annual income. A respondent further suggested that joint borrowers be allowed to add their incomes together for the purposes of meeting the minimum income requirement.

### Response

8.3 In the case of joint borrowing, every individual in the joint borrowing arrangement must meet the minimum income requirement. The aggregate amount borrowed divided equally among all the borrowers cannot result in any of the joint borrowers exceeding his/her overall credit limit. This means that the aggregate amount that can be jointly borrowed is the overall credit limit of the borrower with the lowest income multiplied by the number of borrowers.

8.4 As an example, assume individuals A, B, and C, who have no other credit facilities with a group of lenders, take up a joint loan. Assume that A, B and C's overall credit limit is \$10,000, \$ 3,400 and \$20,000 respectively. The maximum amount that can be lent as part of this joint borrowing arrangement would be \$10,200 (3 times of \$3,400). The granting of a larger amount would result in the overall credit limit of B being breached.

8.5 Most joint borrowing arrangements are such that each borrower is jointly and severally liable for the total amount borrowed, should any of the other joint borrower(s) default. In line with the Government's social policy of discouraging individuals from taking on debt that they cannot repay, the full amount of the joint borrowing should therefore be counted towards each borrower's overall credit limit. As such, the move to

proportionally apportion the outstanding amount to each of the joint borrowers' credit limits for purposes of compliance with the unsecured credit rules is already a concession, and we are unable to accede to the suggestion to base the overall credit limit for joint borrowers on the aggregate of their annual income that would go beyond the concession. Not allowing this suggestion would also avoid the possibility for individuals of annual incomes less than \$20,000 to have access to excessive unsecured credit through the joint borrowing route.

## **9 Interaction with Section 29 of the Banking Act**

### Feedback

9.1 ABS inquired as to whether a credit card or an unsecured credit facility granted to a partner of a firm that is caught under the Director Group be required to comply with the maximum credit limit requirement for the Director Group.

### Response

9.2 Yes. Under MAS Notice 639, unsecured credit facilities (other than those granted through credit cards) granted to a partner of a firm that is caught under the Director Group will be subject to the maximum credit limit requirement for the Director Group.

### Feedback

9.3 ABS noted that when issuing the new requirements pursuant to Section 29 of the Banking Act, MAS allowed a grace period till March 2009 for banks to implement the new rules, on condition that the whole regime be implemented in its entirety.

9.4 The respondent requested that banks be allowed to take advantage of the exemption in the Section 29 framework for banks issuing credit card facilities to their directors from the \$5,000 limit, in particular where these facilities are issued to directors qualifying for the exemption from the overall credit limit (i.e. directors who earn more than \$120,000 a year).

## Response

9.5 We have considered the request but are unable to accede to it as it is not legally possible to do so.

## **10 Market Conduct**

### Feedback

10.1 ABS commented that the requirement that a replacement card only be issued when the original card is reported as lost or damaged or nearing expiry is restrictive as it does not cater for cases where the newly issued card only differs in the following ways:

- Aesthetic differences
- Different card number because of payment gateway provider requirements
- Inclusion of EMV chip
- Different branding

10.2 The respondent requested that such cards be considered as replacement cards, on the basis that the terms and conditions, and fees and charges of such cards did not differ from the existing card held by the cardholder. The respondent also observed that the issuance of such cards did not pose additional risks to either the cardholder or the bank.

### Response

10.3 There are currently two exceptions to the prohibition on the sending of unsolicited cards. They apply to the sending of a “replacement card” or an “additional card”. The sending of an “additional card” is subject to further conditions (including the condition that the individual shall not be held liable for any amount charged to the “additional card” until he has communicated his acceptance of the “additional card”).<sup>1</sup>

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<sup>1</sup> Other conditions are (1) that the card issuer discloses to the individual the fees, charges and terms and conditions of use associated with the additional card; (2) that no additional credit is granted in respect of the additional card to the individual over and above the aggregate of the credit limit granted to that individual in respect of every credit card or charge card already held by him; and (3) that these conditions (except that on the disclosure of fees, charges and terms and conditions) are communicated to the individual.

10.4 We wish to highlight that a “replacement card” is intended to cover only situations where it is issued as a substitute for an existing card where the validity period is about to expire, or if the existing card has been reported as lost or damaged. In such situations, the cardholder will be expecting the issuance of a “replacement card” to replace his existing card

10.5 In contrast, the category “additional card” is intended to cover situations where the consumer will not be expecting the issuance of the card. One such example would be where the bank wishes to upgrade the card of its existing cardholder. Additional conditions are attached to the sending of an “additional card” as the consumer should not be made to bear the risk of the loss of the card in transit or held liable for expenses incurred under the card until he has the opportunity to consider its terms. This is because the consumer would not have requested for the card previously and is not aware that the card has been sent to him in the first instance.

10.6 In the examples raised by the respondent, the consumer will not be expecting the issuance of the cards. As such, these cards should be deemed as “additional cards”, and not “replacement cards”, and the additional protection for the issuance of “additional cards” should apply.

#### Feedback

10.7 A respondent inquired if verbal consent is sufficient to serve as indication of acceptance of goods or services.

10.8 ABS highlighted that allowing verbal acceptance would provide convenience to the cardholder in accepting additional cards. Cardholders would be adequately protected because only un-activated cards would be sent, and all calls would be logged, recorded and positively identified.

10.9 ABS further inquired if an acceptance of the individual of the terms and conditions over a nonverbal mode of communication, including but not limited to the ATM or Internet, would satisfy the “written acceptance” requirement.

## Response

10.10 MAS would like to highlight that telephone recordings and other modes of communication may satisfy the condition for “written acceptance” in relation to the issuance of “additional cards”, subject to certain conditions under section 7 of the Electronic Transactions Act (Cap. 88). As a general guide, the requirement for writing can be satisfied by an electronic record if the information in the electronic record is accessible for subsequent reference. However, card issuers may wish to seek their own legal advice to ensure that their procedures and records satisfy the requirements set out in the Electronic Transactions Act.

## **11 Other Comments**

### Feedback

11.1 A respondent inquired if card issuers could issue further cards to their existing cardholders without performing fresh income checks.

### Response

11.2 Card issuers can issue further cards, including renewal cards, replacement cards and additional cards, to their existing cardholders without performing fresh income checks, provided that no additional credit is granted to the cardholder. Card issuers, however, are reminded to conduct periodic income checks on their cardholders for purposes of complying with the maximum credit limit and the overall credit limit.

### Feedback

11.3 A respondent inquired if the conditions for temporary credit limit increases would continue to apply for credit card accounts.

### Response

11.4 The conditions for temporary credit limit increases will continue to apply for credit card accounts.

## Feedback

11.5 ABS sought clarity as to whether MAS guidelines for temporary credit limit increases for credit cards will apply to other unsecured credit facilities as well. ABS also sought clarity as to whether the guidelines on temporary credit limit increases would apply to unsecured credit facilities linked to debit cards usable at point-of-sale terminals.

## Response

11.6 The exemptions for temporary credit limit increases only apply to credit facilities falling within the definition of a credit card, for instance where an unsecured credit facility is linked to a debit card which allows cardholders to purchase goods and services on credit.

## Feedback

11.7 ABS indicated that as there are major amendments to the existing Regulations, MAS may wish to incorporate the changes into existing Regulations and publish it as a completely fresh set of documents instead of making reference to amendments to the current Regulations as this creates confusion and may result in omission/misinterpretation.

## Response

11.8 After the new Regulations are issued, a single document that incorporates all the amendments will be available on the LawNet portal.

## **II. FEEDBACK ON MINLAW'S DRAFT RULES**

### **12 Minimum Income Requirement**

## Feedback

12.1 A respondent asked whether the minimum income requirement in the draft moneylenders rules can be amended to be similar to those found in the draft MAS rules/notices i.e. that the borrower has an annual income of at least \$20,000 or \$30,000 per annum at the time of application.

## Response

12.2 MinLaw will be amending the requirement in the Moneylenders Rules to align with that in the MAS rules/notices.

### **13 Lending Limit**

#### Feedback

13.1 A respondent asked whether the computation of the overall credit limit in the draft moneylenders rules can be amended to be similar to those found in the draft MAS rules/notices i.e. based on 2 or 4 months of the borrower's monthly income as the case may be.

#### Response

13.2 MinLaw will be amending the requirement in the Moneylenders Rules to align with that in the MAS rules/notices.

### **14 Fees and Late Payment Charges**

#### Feedback

14.1 A respondent asked if fees and late payment charges can be excluded when lenders compute the maximum amount it can lend to a borrower.

#### Response

14.2 MinLaw will revise the Moneylenders Rules to make it clear that any interest (including late interest) and fees (including late payment fees) imposed by the moneylender will not be included in the computation of the maximum amount that the moneylender can lend to a borrower.

### **15 Independent Documentary Evidence of Income**

#### Feedback

15.1 A respondent requested that the requirement for independent document evidence of income be removed as there is currently no independent body which could provide verification.

## Response

15.2 The requirement will be removed from the Moneylenders Rules in line with MAS' removal of the same requirement from its rules/notices. Notwithstanding the removal of the requirement, since it is an offence for a moneylender to grant an unsecured loan above \$3,000 to a borrower with an annual income of less than \$20,000 or in excess of the stipulated number of times of the borrower's monthly income of more than \$20,000 (unless the purpose of the loan comes under certain excluded categories), moneylenders should take reasonable steps and make reasonable effort to ascertain the borrower's income.

## **16 Joint Borrowers**

### Feedback

16.1 A respondent requested that in a loan application by joint borrowers, the combined income of the joint borrowers be taken into consideration even if their individual income does not satisfy the minimum income requirement.

### Response

16.2 The same requirements would apply to joint borrowers under the moneylenders rules and the MAS rules/notices. The individual income of each of the borrower taking a joint loan must satisfy the minimum income requirement. This is to prevent circumvention of the minimum income requirement.

## **17 Exclusion from the rules when unsecured loan is for repaying loans that have become unsecured**

### Feedback

17.1 A respondent commented that this exclusion, which enables a borrower to apply for a loan with the purpose of repaying part of another loan due to another lender which has become unsecured as a result of a fall in value of the security should be expanded to cover prior hire-purchase financing or other forms of secured financing, as the most frequent cases where the exclusion is needed are likely to be in relation to prior hire-purchase financing which is not a loan per se.

## Response

17.2 The objective of this exclusion is to enable a borrower to address a specific situation where the security under a secured loan e.g. a real estate, has fallen in value and he wishes to obtain a fresh loan from a moneylender to make payment of the unsecured portion of the original loan. It is not the intention of this exclusion to apply to the taking of a fresh loan to pay down the outstanding amount owing under an existing hire-purchase which is in excess of the market value of the goods which are the subject of the hire-purchase.

## **18 Medical loans**

### Feedback

18.1 A respondent suggested that the exclusion be extended to include any medical procedure so long as it is carried out by registered medical practitioners and the purchase of health-related equipment, such as hearing aids, and medication, such as prescription drugs and vaccinations, from registered medical practitioners.

### Response

18.2 The exclusion will be amended to make it clear that it applies to a borrower taking up a loan for the defraying of the costs of any medical treatment, covered in Regulation 2 of the Central Provident Fund (Medishield Scheme) Regulations (Cap. 36, Rg 20) i.e. any medical treatment, surgical treatment, radiotherapy treatment, treatment of neoplasms by chemotherapy, renal dialysis treatment or radiosurgery treatment and includes investigations, medicines, curative materials and surgical implants, and where such treatment has been received by a person as an in-patient in an approved hospital, the maintenance of that person in the hospital. The exclusion does not apply to medical treatments not covered by the Regulation, such as medical treatment for or in respect of congenital anomalies and hereditary conditions and disorders, and vaccinations.

## **19 Employee Loans**

### Feedback

19.1 A respondent proposed that the scope of definition of employees be extended to cover the employees of related corporations of the moneylender.

### Response

19.2 This exclusion is intended for only the employees of moneylenders. Employees of entities related to a moneylender who take an unsecured personal loan from the moneylender are subject to the unsecured lending rules like any ordinary borrower.

## **20. Interest Rate Cap**

### Feedback

20.1 A respondent sought clarification as to whether the interest rate cap of 18% per annum would apply to a loan not exceeding \$3,000 taken by borrowers earning at least \$20,000 per annum.

### Response

20.2 A loan not exceeding \$3,000 will not be subject to the interest rate cap of 18% per annum if the annual income of the borrower is \$20,000 or more.

## **21. Computation of Interest Rate**

### Feedback

21.1 A respondent queried how the interest rate cap of 18% per annum for unsecured loans not exceeding \$3,000 would be computed.

### Response

21.2 The computation is based on simple interest.

## **22 \$500 Micro Credit Cards**

### Feedback

22.1 A respondent sought clarification on whether the \$500 credit limit for “micro-credit” credit cards (which do not come under MAS’ purview) would be subsumed under the overall unsecured credit limit for a borrower.

### Response

22.2 The \$500 credit limit for such credit cards issued by a moneylender would be included in the overall unsecured credit limit that the moneylender can extend to a borrower.

## **III. FEEDBACK CONCERNING BOTH MAS’ AND MINLAW’S DRAFT RULES**

## **23 Mergers and Acquisitions**

### Feedback

23.1 A respondent proposed that the mergers and acquisitions provisions be extended to cover transactions relating to other unsecured credit facility providers as well.

### Response

23.2 The respective mergers and acquisitions provisions apply to a financial institution taking over the business of or merging with another financial institution or a moneylender taking over the business of or merging with another moneylender.

MONETARY AUTHORITY OF SINGAPORE and MINISTRY OF  
LAW  
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